Vassar College

Financial Statements
June 30, 2011 With Summarized Comparative Totals
for the Year Ended June 30, 2010

Vassar College
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Report of Independent Auditors

To the Board of Trustees of
Vassar College

In our opinion, the accompanying statement of financial position and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of Vassar College ("Vassar" or the "College") at June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Vassar's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the College's 2010 financial statements and in our report dated October 15, 2010, we expressed an unqualified opinion on these financial statements. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 7, Vassar changed its method of accounting for its endowment.

PricewaterhouseCoopers LLP

October 21, 2011

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Vassar College
Statements of Financial Position
June 30, 2011 With Summarized Comparative Totals for June 30, 2010

	2011	2010
Assets		
Cash and cash equivalents	$ 11,751,838	$ 15,525,258
Accounts receivable, net		
Student accounts receivable	444,843	320,693
Student loans receivable	3,335,528	3,529,944
Grants receivable	620,553	329,583
Contributions receivable	25,549,890	22,554,680
Accrued investment income receivable	715,582	1,146,383
Inventories	566,110	682,346
Prepaid and other assets	5,072,251	6,310,522
Deposits held by trustee	49,586,480	54,558,719
Investments	867,549,602	737,850,359
Beneficial interest in outside trusts	8,769,777	7,395,615
Land, buildings and equipment, net	354,982,309	352,379,899
Total assets	$ 1,328,944,763	$ 1,202,584,001
Liabilities		
Accounts payable and accrued expenses	$ 20,976,226	$ 18,709,614
Deferred revenue and students' deposits	3,897,094	3,504,188
Refundable government loan funds	2,682,131	2,802,034
Present value of beneficiary payments	13,368,523	13,140,039
Deposits held for others	3,178,638	3,475,968
Long-term debt	170,905,000	172,480,000
Accrued pension obligation	6,483,780	11,867,272
Asset retirement obligation	8,110,081	8,120,627
Accrued postretirement benefit obligation	25,343,000	35,365,000
Total liabilities	254,944,473	269,464,742
Net assets		
Unrestricted	356,022,484	616,767,358
Temporarily restricted	450,406,004	64,885,484
Permanently restricted	267,571,802	251,466,417
Total net assets	1,074,000,290	933,119,259
Total liabilities and net assets	$ 1,328,944,763	$ 1,202,584,001

The accompanying notes are an integral part of these financial statements.

Vassar College
Statements of Activities
Year Ended June 30, 2011, With Summarized Comparative Totals for the Year Ended June 30, 2010

	2011				2010
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating revenues					
Tuition and fees	$ 109,319,729	$ -	$ -	$ 109,319,729	$ 106,088,932
Room and board	21,023,470	-	-	21,023,470	19,753,493
	130,343,199	-	-	130,343,199	125,842,425
Less: Scholarships	(50,036,537)	-	-	(50,036,537)	(43,394,795)
Net tuition, fees, room and board	80,306,662	-	-	80,306,662	82,447,630
Investment return					
Interest and dividends	2,430,816	3,163,490	-	5,594,306	7,197,896
Realized accumulated gains used to meet spending policy	13,575,704	25,822,990	-	39,398,694	41,859,580
Government grants	2,687,421	-	-	2,687,421	2,542,372
Private gifts and grants	19,880,546	3,228,031	-	23,108,577	14,073,222
Other revenue	2,944,811	-	-	2,944,811	2,691,210
Auxiliary enterprises	4,852,506	-	-	4,852,506	4,875,598
Net assets released from restrictions	31,259,014	(31,259,014)	-	-	-
Total operating revenues	157,937,480	955,497	-	158,892,977	155,687,508
Operating expenses					
Instruction	69,529,300	-	-	69,529,300	71,554,851
Research	4,498,406	-	-	4,498,406	3,400,398
Academic support	18,036,257	-	-	18,036,257	18,091,400
Student services	16,677,945	-	-	16,677,945	16,462,640
Institutional support	37,933,933	-	-	37,933,933	34,005,193
Auxiliary enterprises	18,932,762	-	-	18,932,762	20,889,476
Total operating expenses	165,608,603	-	-	165,608,603	164,403,958
Change in net assets from operations	(7,671,123)	955,497	-	(6,715,626)	(8,716,450)
Nonoperating activities					
Private gifts	1,384,122	7,806,898	12,983,102	22,174,122	16,988,937
Interest and dividends	-	742,060	-	742,060	338,901
Realized and unrealized gains	26,706,466	123,674,863	1,945,734	152,327,063	74,867,333
Realized accumulated gains used to meet spending policy	(13,575,704)	(25,822,990)	-	(39,398,694)	(41,859,580)
Terminated deferred gifts	213,933	(328,830)	114,897	-	-
Gain on disposal of fixed assets	105,224	-	-	105,224	365,853
Changes in value of deferred gifts	(223,619)	(538,895)	(274,860)	(1,037,374)	(3,406,240)
Other nonoperating activity	(17,470)	-	-	(17,470)	330,997
Adjustment for pension obligation	4,507,004	-	-	4,507,004	(2,040,922)
Reversal of capital expenditures	(2,482,278)	-	-	(2,482,278)	-
Post-retirement benefits changes other than net periodic benefits cost	10,677,000	-	-	10,677,000	(6,365,000)
Recovery of underwater funds	2,931,231	(2,931,231)	-	-	-
Net assets released from restrictions	3,270,114	(4,606,626)	1,336,512	-	-
Change in net assets from nonoperating activities	33,496,023	97,995,249	16,105,385	147,596,657	39,220,279
Change in net assets before change in accounting principle	25,824,900	98,950,746	16,105,385	140,881,031	30,503,829
Cumulative effect of a change in accounting principle	(286,569,774)	286,569,774	-	-	-
Change in net assets after change in accounting principle	(260,744,874)	385,520,520	16,105,385	140,881,031	30,503,829
Net assets					
Beginning of year, as revised	616,767,358	64,885,484	251,466,417	933,119,259	902,615,430
End of year	$ 356,022,484	$ 450,406,004	$ 267,571,802	$ 1,074,000,290	$ 933,119,259

The accompanying notes are an integral part of these financial statements.

Vassar College
Statements of Cash Flows
Years Ended June 30, 2011 With Summarized Comparative Totals for the Year Ended June 30, 2010

	2011	2010
Cash flows from operating activities		
Change in net assets	$140,881,031	$ 30,503,829
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	19,970,380	19,092,902
Accretion on asset retirement obligation	406,031	430,083
Gain on disposal of fixed assets	(105,224)	(365,853)
Investment income on life income and annuity agreements	(606,268)	(476,920)
Payments to beneficiaries	1,415,157	1,068,434
Nonoperating contributions	(20,120,721)	(15,953,597)
Gifts in kind	(780,465)	(492,299)
Realized and unrealized gains on investments	(150,952,900)	(74,029,830)
Beneficial interest in outside trusts	(1,374,162)	(837,505)
Reversal of capital expenditures	2,482,278	-
Changes in assets and liabilities that provide (use) cash		
Accounts receivable	(373,419)	175,982
Contributions receivable	(4,132,712)	2,916,795
Accrued investment income receivable	430,800	(98,093)
Inventories	116,236	51,488
Prepaid and other assets	1,238,274	(51,314)
Accounts payable and accrued expenses	(1,349,362)	1,630,235
Deferred revenue and students' deposits	392,906	(486,669)
Present value of beneficiary payments	228,484	2,569,295
Deposits held for others	(297,331)	(92,696)
Asset retirement obligation	(416,578)	(911,110)
Accrued pension obligation	(5,383,492)	3,357,954
Accrued post-retirement benefit obligation	(10,022,000)	7,363,000
Net cash used in operating activities	(28,353,057)	(24,635,889)
Cash flows from investing activities		
Purchases of land, buildings and equipment	(20,688,436)	(26,162,259)
Use of deposits held by trustee	5,009,257	7,607,884
Deposits with bond trustee	-	(50,000,000)
Proceeds from sale of land, buildings and equipment	135,033	407,229
Proceeds from student loans collections	565,158	403,029
Student loans issued	(412,443)	(636,006)
Purchases of investments	(322,828,606)	(345,910,387)
Proceeds from sales and maturities of investments	348,542,028	395,814,941
Net cash provided by (used in) investing activities	10,321,991	(18,475,569)
Cash flows from financing activities		
Contributions for endowment	11,514,310	3,103,010
Contributions for long-lived assets	4,775,567	4,548,937
Contributions for life income agreements	508,580	82,222
Investment income on life income and annuity agreements	606,268	476,920
Payments to beneficiaries	(1,415,157)	(1,068,434)
Decrease in refundable government loan funds	(119,903)	(34,681)
Issuance of long-term debt	-	50,000,000
Payments on long-term debt	(1,575,000)	(1,515,000)
Debt issuance cost	(37,019)	(762,501)
Net cash provided by financing activities	14,257,646	54,830,473
Net (decrease) increase in cash and cash equivalents	(3,773,420)	11,719,015
Cash and cash equivalents		
Beginning of year	15,525,258	3,806,243
End of year	$ 11,751,838	$ 15,525,258
Supplemental data		
Reversal of capital expenditures	$ 2,482,278	$ -
Interest paid	7,310,702	5,691,946
Noncash investing activities		
Purchases of capital assets included in accounts payable	3,615,975	1,427,560
Noncash financing activities		
Contributed securities		
Contributions for endowment	907,970	809,812
Contributions for long-lived assets	2,295,296	6,890,599
Contributions for life-income agreements	118,997	519,018
Contributions for unrestricted use	1,137,503	1,178,300

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

Organization

Vassar College (the “College”) was founded in 1861 and is a coeducational, independent, liberal arts college located in Poughkeepsie, New York.

Basis of Presentation

The financial statements of the College have been prepared on the accrual basis of accounting.

Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into the following categories:

- *Permanently Restricted* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the investment return on these assets. Such assets primarily include the College’s permanent endowment funds.
- *Temporarily Restricted* – Net assets whose use by the College is subject to donor imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.
- *Unrestricted* – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Unconditional contributions are recognized as contributions receivable at their estimated net present value when pledged. Contributions and investment return with donor-imposed restrictions are reported as permanently or temporarily restricted revenues subject to certain criteria as outlined in Note 7. Temporarily restricted net assets are reclassified to unrestricted net assets when an expense is incurred that satisfies the donor-imposed restriction subject to certain criteria as outlined in Note 7. Temporarily restricted contributions and investment return received and expended for the restricted purpose in the same fiscal year are recorded as unrestricted net assets subject to certain criteria as outlined in Note 7. Expenses are generally reported as decreases in unrestricted net assets.

Contributions restricted for the acquisition of land, buildings and equipment are reported as temporarily restricted revenues. These contributions are reclassified to unrestricted net assets upon acquisition of the assets or when the assets are placed in service.

Nonoperating activities include contributions to be used for facilities and equipment or to be invested by the College to generate a return that will support operations. Nonoperating activities also include the realized and unrealized gains or losses, net of amounts appropriated for operations for the year, the adjustment for pension and postretirement benefit liabilities other than periodic benefit cost, changes in deferred gifts as well as investment income on deferred gifts and gifts to support land, buildings and equipment.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. The College's significant estimates include the valuation of its investments, its valuation of contributions receivable and recognition of its pension and postretirement benefit obligations. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include operating funds that are short-term, highly liquid investments with a maturity of three months or less at the time of purchase. Cash and cash equivalents are reported at cost which approximates fair value.

Investments

Investments are reported at fair value with realized and unrealized gains and losses included in the statements of activities. Realized gains and losses on the sale of the College's investments are based upon the average cost of the investment. All investment transactions are recorded on a trade date basis.

Beneficial Interest in Outside Trusts

The College is the beneficiary of various trusts created by donors, the assets of which are not in the possession of Vassar. The College has legally enforceable rights or claims to such assets, including the right to income generated. The fair value of these interests is recorded in the permanently restricted net asset class and the net realized and unrealized gains or losses are recorded in the permanently or temporarily restricted net asset categories as designated by the donors.

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investments securities, it is at least reasonably possible that changes in risk in the near term could materially affect the amounts reported in the statements of financial position and the statements of activities.

Plan contributions and the actuarial present value of accumulated plan benefits for the pension and postretirement obligations are estimated based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

Valuation

The College follows Accounting Standards Codification 820 (ASC 820), "Fair Value Measurements and Disclosures", formerly known as Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS 157) in the preparation of its financial statements. ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset, or paid to transfer a liability (an exit price), in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The College also follows Financial Accounting Standards Board ("FASB") Accounting Standards Update No. 2009-12, "Investment in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)" (ASU 2009-12). The standard amends existing guidance by enhancing disclosures and providing guidance for estimating the fair value of investments in funds that calculate net asset value per share, allowing the Net Asset Value per Share (NAV) to be used as a practical expedient for fair value where such funds follow the American Institute of Certified Public Accountants (AICPA) Guide in arriving at their reported NAV. The College has adopted the practical expedient and disclosure provisions of the standard in the preparation of its financial statements.

In January 2010, the FASB issued ASU No. 2010-06, "Improving Disclosures about Fair Value Measurements". This standard amends ASC 820 and requires entities to disclose significant transfers of assets in and out of Levels 1 and 2, and all transfers in or out of Level 3, of the fair value hierarchy, and the reasons for those transfers. The College adopted ASU 2010-06 in the preparation of its financial statements for the year ended June 30, 2010. In addition, the guidance requires separate presentation of purchases and sales in the Level 3 asset reconciliation; this additional disclosure requirement is effective for fiscal years commencing after January 31, 2011. The adoption of the remaining provisions of this guidance by the College is not expected to have a material impact on the College's financial statements.

Receivables

The College extends credit to students in the form of accounts receivable and loans for educational purposes.

At June 30, 2011 and 2010, student accounts receivable are net of an allowance for doubtful accounts of $110,576 and $80,182, and student loans receivable are net of an allowance for doubtful accounts of $326,221 and $283,556, respectively.

It is not practicable to determine the fair value of student loan receivables because they are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms, and are subject to significant restrictions as to their transfer or disposition.

Credit Losses

The College records an allowance for doubtful accounts (credit losses) for long term receivables including Perkins loans and other student loans. Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment, the level of delinquent loans, review of the default rate by category in comparison to prior years, the value of any collateral and, where, applicable, the existence of any guarantees or indemnifications. The level of the allowance is adjusted based on actual results. The College's Perkins receivable represents the amounts due from current and former students under the Federal Perkins Loan Program. Loans disbursed under the Federal Perkins Loan program are able to be assigned to the Federal Government in certain nonrepayment situations. In these situations the Federal portion of the loan balance is guaranteed. Management believes that the allowance for credit losses at June 30, 2011 and 2010 is adequate to absorb credit risk inherent in the portfolio.

Contributions Receivable

Contributions receivable are as follows:

	2011	2010
Due within one year	$ 2,402,202	$ 5,209,833
Due in one to five years	22,932,801	18,734,724
Due in over five years	2,012,500	284,499
	27,347,503	24,229,056
Less: Present value discount	(1,544,764)	(1,492,961)
Allowance for uncollectable pledges	(252,849)	(181,415)
	$ 25,549,890	$ 22,554,680

Conditional pledges and bequest intentions totaling approximately $71,000,000 have been excluded from these amounts and are not recorded in the financial statements.

Inventories

Inventories are valued at the lower of cost, based upon the first-in, first-out method, or market. Inventories consist primarily of items used in food preparation, health services, computer related items for sale on campus, and fuel oil stores.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost, or if donated, at estimated fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Land improvements	10 years
Buildings	50 years
Buildings improvements	10 years
Equipment	7 years
Computer equipment	4 years
Library books	10 years

Works of art, historical treasures and similar assets have been recognized at their estimated fair value based upon appraisals or similar valuations at the date of acquisition or donation.

Depreciation is partially funded each year by the College through the budget process. Remaining depreciation expense is unfunded.

When an asset retirement obligation is identified, the College records the fair value of the obligation as a liability. The fair value of the obligation is also capitalized as part of land, buildings, and equipment and then amortized over the estimated remaining useful life of the associated asset.

Deferred Gift Arrangements

The College's deferred gift arrangements with donors consist of irrevocable charitable remainder trusts, charitable gift annuities and pooled income funds for which the College is the remainder beneficiary. Assets held in these trusts are included in investments and recorded at their fair value when received. The fair value of these assets included in investments at June 30, 2011 and 2010 was approximately $26,951,000 and $23,752,000, respectively. Contribution revenues are recognized at the dates the trusts are established, net of the liabilities recorded for the present value of beneficiary payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, accretion of the discount and other changes in the estimates of future benefits. The liability for the present value of deferred gifts is based upon actuarial estimates and assumptions regarding the duration of the arrangements and the assumed discount rate. Discount rates range from 1.8% to 3.4% as of the date of the gift. Circumstances affecting these assumptions can change the estimate of this liability in future periods.

Workers Compensation

The College recognizes a workers compensation liability for future payments for current and prior years' claims. The liability is based on estimated future payments discounted to present value at 5.0%.

Endowment and Similar Funds

Included in investments are assets of the College's endowment and similar funds. These institutional funds are invested in perpetuity to produce investment return to support the operations of the College. Investment guidelines are set under the direction of the Investments Committee of the Board of Trustees with the objective to enhance the real market value of the portfolio while providing a relatively predictable and growing stream of revenue to the College's operating budget. The majority of the endowment and similar funds are unitized and invested in a consolidated pool. Nonconsolidated endowed funds are invested separately. Consolidated funds are added to or withdrawn from the pool at the unit fair value of the fund at the beginning of the quarter in which the transaction occurred.

Following is information for the College's endowment and similar funds at June 30:

	2011	2010
Fair value of investments	$ 814,130,058	$ 713,062,555
Income utilized for operations	$ 44,993,000	$ 49,057,476
Number of units	10,130,531	10,040,924
Fair value per unit	$ 80.36	$ 69.66
Spending rate per unit	$ 3.76	$ 3.76
Yield per unit	$ 0.54	$ 0.67
Realized gains used to meet spending policy	$ 39,398,694	$ 41,859,580

Spending From Endowment Funds

The College utilizes a "total return" policy for endowment spending. This approach considers current yield (primarily interest and dividends) as well as the net appreciation in the fair value of investments when determining a spending amount. Under this policy, the Board of Trustees establishes a spending rate which is then applied to the average fair value of investments. Current yield is recorded as revenue and the difference between current yield and the spending rate produces the use of realized gains spent under the total return formula.

Annually, as part of the College's operating and capital budget plans, the Board approves a spending rate for endowment units. The guideline is to increase per unit spending annually based on the consumer price index, lagged one year, plus 1% provided that the resulting rate does not exceed 5.5% nor fall below 4.5% for the trailing 12-quarter average market value of the fund, lagged one year. For fiscal year 2010/11 the Board approved total draw on financial assets of up to $44,993,000. For the year ended June 30, 2011, $44,993,000 was spent from endowment income of which $7,457,063 represents a supplemental draw above per unit spending. For the year ended June 30, 2010 $49,057,476 was spent from endowment income of which $11,239,414 represents a supplemental draw above per unit spending.

Internal Revenue Code Status
The College has been granted tax-exempt status as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been recorded in the financial statements.

Asset Retirement Obligations
The College accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its estimated settlement value. Upon settlement of the liability, the College will recognize a gain or loss for any difference between the settlement amount and the liability recorded.

Recently Adopted Accounting Standard
In September 2010, the State of New York enacted its Uniform Prudent Management of Institutional Funds Act (UPMIFA) statute. With the enactment of New York's statute, the College was required to apply accounting guidance related to net asset classification of funds subject to an enacted version of UPMIFA. This guidance has been applied to the financial statements for the year ended June 30, 2011 (Note 7).

Revision to Financial Statements
In 2011, the College determined that it had been incorrectly accounting for split interest agreements held by outside trusts, which resulted in an understatement of assets and net assets of approximately $7 million at June 30, 2010. Additionally, the College determined that it had inadvertently omitted pledges totaling approximately $3 million from the 2010 financial statements. Accordingly, the College has revised its June 30, 2010 beginning net assets in the statements of activities and added an asset to the statements of financial position under the caption "beneficial interest in outside trusts." The College has also revised its June 30, 2011 beginning net assets and 2010 private gift revenue in the statements of activities and revised contributions receivable for the year then ended in the statements of financial position, as summarized below:

	As Reported Year Ended June 30, 2010	As Revised
Permanently restricted net assets, beginning of year	$ 232,359,171	$ 238,917,282
Total net assets, beginning of year	$ 896,057,319	$ 902,615,430
Beneficial interest in outside trusts	$ -	$ 7,395,615
Contributions receivable	$ 19,324,578	$ 22,554,680
Total assets	$ 1,191,958,284	$ 1,202,584,001
Temporarily restricted net assets	$ 63,655,766	$ 64,885,484
Permanently restricted net assets	$ 242,070,418	$ 251,466,417
Total net assets	$ 922,493,542	$ 933,119,259
Operating private gifts and grants	$ 12,843,504	$ 14,073,222
Total operating revenues	$ 154,457,790	$ 155,687,508
Non-operating private gifts	$ 14,988,553	$ 16,988,937
Change in net assets from non-operating activities	$ 36,382,391	$ 39,220,279
Change in net assets	$ 26,436,223	$ 30,503,829

2. Financial Instruments

Investments

Investments consist of the following as of June 30:

	2011	2010
Short-term investments [a]	$ 9,612,010	$ 17,940,696
Fixed income-bonds	47,295,880	74,562,435
Marketable real estate [b]	3,432,546	2,971,438
Equity investments		
U.S. stocks	228,554,619	164,420,133
International stocks	209,507,554	162,475,132
Hedge funds [c]	182,289,693	172,660,359
Real estate, oil and gas partnerships	82,634,737	68,163,534
Venture capital/private placements	76,313,496	59,230,524
Institutional mutual fund [d]	26,232,059	13,761,529
Balanced accounts [e]	1,677,008	1,664,579
	$ 867,549,602	$ 737,850,359

[a] Amounts temporarily invested in money market instruments, commercial paper, and cash management funds.

[b] Real estate investment trusts and other real estate investments.

(c) Investments in limited partnerships with managers of long and short positions in U.S. and international stocks and bonds, often through offshore fund companies.

(d) A fund investing in commodities, including derivative securities related to commodities, and fixed income.

(e) Amounts invested in equity and fixed income mutual funds.

Short-term investments are intended to provide liquidity for operating and nonoperating activities. Fixed income investments are intended to provide income, liquidity, and diversification benefits. Equity investments, real estate, oil and gas partnerships, venture capital/private placements, institutional mutual funds, and balanced funds are intended to provide growth, income, and diversification benefits.

Total dividends, interest and realized and unrealized gains and losses reflected in operating and nonoperating activities are as follows for the years ended June 30:

	2011	2010
Dividends and interest	$ 6,336,366	$ 7,536,797
Realized gains	33,328,459	34,203,026
Unrealized gains	118,998,604	39,826,804
Total return	$ 158,663,429	$ 81,566,627

The fair value of the College's investments has been determined in the following manner:

Investments	Fair Value
Short-term investments consisting principally of money market instruments, commercial paper, and cash management funds	At quoted market value which approximates cost
Equity securities, debt securities, mutual funds, shares in real estate investment trusts and other publicly traded securities	At quoted market value
Privately held partnerships, including alternative investments such as private equity and hedge fund limited partnerships	Net asset value as determined by the general partner

The investments portfolio is shown below at fair value by investment asset class and hierarchy, for the years ended June 30, 2011 and 2010:

	2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Short-term investments	$ 9,612,010	$ -	$ -	$ 9,612,010
Fixed income-bonds	47,295,880	-	-	47,295,880
Marketable real estate	3,199,819	-	232,727	3,432,546
Equity investments				
U.S. stocks	127,838,149	54,126,214	46,590,256	228,554,619
International stocks	37,360,265	172,147,289	-	209,507,554
Hedge funds	-	-	182,289,693	182,289,693
Real estate, oil and gas partnerships	-	-	82,634,737	82,634,737
Venture capital/Private placements	-	-	76,313,496	76,313,496
Institutional mutual fund	-	-	26,232,059	26,232,059
Balanced accounts	1,677,008	-	-	1,677,008
	$ 226,983,131	$ 226,273,503	$ 414,292,968	$ 867,549,602

	2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Short-term investments	$ 17,940,696	$ -	$ -	$ 17,940,696
Fixed income-bonds	62,609,197	-	11,953,238	74,562,435
Marketable real estate	2,738,711	-	232,727	2,971,438
Equity investments				
U.S. stocks	94,247,908	35,046,818	35,125,407	164,420,133
International stocks	40,073,353	122,401,779	-	162,475,132
Hedge funds	-	-	172,660,359	172,660,359
Real estate, oil and gas partnerships	-	-	68,163,534	68,163,534
Venture capital/Private placements	-	-	59,230,524	59,230,524
Institutional mutual fund	-	-	13,761,529	13,761,529
Balanced accounts	1,664,579	-	-	1,664,579
	$ 219,274,444	$ 157,448,597	$ 361,127,318	$ 737,850,359

Fair value for Level 1 is based upon quoted prices in active markets that the College has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets.

Fair value for Level 2 is based on quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers. These assets consist of commingled fund investments that the College can enter and exit regularly, with underlying fund assets that are priced on exchanges or in dealer markets. Approximately 94.2% of the underlying investments held by these funds consist of securities with quoted market prices.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all. Investments included in Level 3 consist of the College's ownership in alternative investments, principally limited partnership interests in hedge, private equity, real estate, and other similar funds. The value of certain alternative investments represents the ownership interest in the net asset value (“NAV”) of the respective partnership. Approximately 41.6% of investments held by the partnerships consist of securities with quoted market prices and 58.4% are securities that do not have readily determinable fair values. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner taking into consideration, among other things, the cost of the securities appraisals, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate.

In accordance with ASU 2010-06 the College is required to disclose significant transfers in or out of Levels 1 and 2. There were no such transfers during the year.

The methods described above may produce a fair value determination that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the College believes its valuation methods are appropriate and consistent with methods used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following tables summarize the change in value of investments within Level 3 as defined in the fair value hierarchy above. It also identifies as net transfers the capital added and withdrawn from Level 3 investments, which represents capital calls and distributions and portfolio rebalancing:

	July 1, 2010	Net Purchases Sales, Settlements	Realized Gain	Unrealized Gain (Loss)	Net Transfers	June 30, 2011
Short-term investments	$ -	$ -	$ -	$ -	$ -	$ -
Fixed income-bonds	11,953,238	(11,953,238)	1,285,913	(1,285,913)	-	-
Marketable real estate	232,727	-	-	-	-	232,727
Equity investments						
U.S. stocks	35,125,407	-	-	11,464,850	-	46,590,257
International stocks	-	-	-	-	-	-
Hedge funds	172,660,359	4,458,928	3,136,688	15,791,202	(13,757,484)	182,289,693
Real estate, oil and gas partnerships	68,163,534	4,795,839	3,743,276	5,932,087	-	82,634,736
Venture capital/Private placements	59,230,524	957,786	6,647,271	9,477,915	-	76,313,496
Institutional mutual fund	13,761,529	-	-	5,270,530	7,200,000	26,232,059
Balanced accounts	-	-	-	-	-	-
	$ 361,127,318	$ (1,740,685)	$ 14,813,148	$ 46,650,671	$ (6,557,484)	$ 414,292,968

	July 1, 2009	Net Purchases Sales, Settlements	Realized Gain	Unrealized Gain (Loss)	Net Transfers	June 30, 2010
Short-term investments	$ -	$ -	$ -	$ -	$ -	$ -
Fixed income-bonds	14,615,964	(15,389,562)	3,114,651	(387,815)	10,000,000	11,953,238
Marketable real estate	232,727	-	-	-	-	232,727
Equity investments						
U.S. stocks	30,228,967	-	-	4,896,440	-	35,125,407
International stocks	-	-	-	-	-	-
Hedge funds	179,567,483	(5,225,349)	26,403,517	(4,451,269)	(23,634,023)	172,660,359
Real estate, oil and gas partnerships	71,287,354	551,969	1,932,629	(8,608,418)	3,000,000	68,163,534
Venture capital/Private placements	48,718,180	2,992,487	3,253,599	4,266,258	-	59,230,524
Institutional mutual fund	8,383,806	-	-	377,723	5,000,000	13,761,529
Balanced accounts	-	-	-	-	-	-
	$ 353,034,481	$ (17,070,455)	$ 34,704,396	$ (3,907,081)	$ (5,634,023)	$ 361,127,318

The following table provides additional disclosures related to funds where fair value is not readily determinable:

Category	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Liquidity Restrictions
Marketable real estate	$ 232,727	$ -	Not applicable	Not applicable	Not applicable
Equity investments					
U.S. stocks	46,590,256	-	Quarterly	60 days	10% gate
Hedge funds					
No lock-ups; quarterly liquidity	75,491,353	-	Quarterly	45–90 days	Gates from 0–25%; one fund limits redemptions to 25% per quarter
No lock-ups; annual liquidity	62,258,122	-	Annual	45–65 days	Gates from 0–25%; one fund limits redemptions to 50% per year
With lock-ups	44,540,218	-	Semiannual–annual	65–90 days	Gates from 10–30%;
Real assets					
Natural resources	46,811,773	18,479,295	Not redeemable	Not redeemable	Not redeemable
Real estate	35,822,964	9,137,778	Not redeemable	Not redeemable	Not redeemable
Venture capital/Private placements					
Buyouts	46,119,662	39,766,811	Not redeemable	Not redeemable	Not redeemable
Venture capital	30,193,834	14,409,369	Not redeemable	Not redeemable	Not redeemable
Institutional mutual fund	26,232,059	-	Monthly	10 days	None
	$ 414,292,968	$ 81,793,253			

The estimated life of the real assets funds ranges from 7 to 15 years and the venture capital/private placements funds ranges from 7 to 15 years.

3. Land, Buildings and Equipment

Land, buildings and equipment consist of the following as of June 30:

	2011	2010
Land	$ 2,125,873	$ 2,125,873
Land improvements	24,972,607	24,700,209
Buildings and improvements	384,430,162	373,520,171
Equipment (including computers)	75,798,356	72,303,764
Library books	47,762,977	45,350,927
Art works and collectibles	44,927,883	44,459,959
Construction in progress	21,031,975	16,081,765
	601,049,833	578,542,668
Less: Accumulated depreciation	(246,067,524)	(226,162,769)
	$ 354,982,309	$ 352,379,899

Depreciation expense for the years ended June 30, 2011 and 2010 was $19,970,380 and $19,092,902, respectively.

The College Board of Trustees approved a capital budget of $21,460,000 for construction projects in fiscal year 2012. This figure includes project completion costs and retainage that will be paid in the 2012-13 fiscal year.

In March 2011 management discovered that a former employee had submitted invoices for payment to several companies purporting to have provided construction services. An internal review determined that these invoices were fraudulent. The matter was immediately reported to the Audit Committee of the Board of Trustees and to local authorities, leading to an independent private investigation and a criminal investigation by local law enforcement. A grand jury indicted the former employee in June 2011, and the case is pending as of the date of these financial statements. The College believes that the fraudulent billings amounted to approximately $2.5 million, recorded as capital expenditures. The College was awarded a judgment against the assets of the former employee in May 2011 in Dutchess County Supreme Court. An insurance claim is also pending and may result in the recovery of a substantial portion of the loss but no receivable has been recorded as of June 30, 2011.

4. Long-Term Debt

On April 18, 2007, the College entered into an agreement with the Dormitory Authority of the State of New York, which provided for the issuance of $125,455,000 Vassar College Revenue Bonds, Series 2007. A portion of the proceeds were deposited into trustee escrow accounts to defease the Vassar College Revenue Series 1995 and 2001 Bonds. A portion was received by the College to pay certain costs associated with the issuance and the remaining amount was deposited into a trustee escrow account to be used for capital renovations and improvements to various facilities throughout the College's campus. The funds are invested in United States Treasury obligations, which will provide for future payments of all interest, principal and call premiums on the defeased bonds. In order to meet these future obligations, the amount deposited in escrow was greater than the par value of the defeased bonds. Neither the assets of the trustee escrow account nor the outstanding defeased issues are included in the accompanying statements of financial position. The decision to defease both prior year bonds was based on current market conditions and the future savings over the life of the bonds for the College.

On March 31, 2010, the College entered into an agreement with the Dormitory Authority of the State of New York, which provided for the issuance of $50,000,000 Vassar College Revenue Bonds, Series 2010. A portion of the proceeds was received by the College to pay certain costs associated with the issuance and the remaining amount was deposited into a trustee escrow account to be used for capital renovations and improvements to various facilities throughout the College's campus. The funds are invested in United States Treasury obligations.

The Dormitory Authority of the State of New York requires the College to establish certain reserve funds. As of June 30, included in the caption "deposits held by trustee", are the following:

	2011	2010
Dormitory Authority of the State of New York (Series 2007)		
Construction fund	$ 17	$ 315,966
Debt service reserve	4,444,457	4,405,906
Debt issuance reserve	-	116,395
	4,444,474	4,838,267
Dormitory Authority of the State of New York (Series 2010)		
Construction fund	42,576,431	46,626,711
Debt issuance reserve	67,228	169,697
Capitalized interest reserve	1,248,347	2,924,044
Debt service reserve	1,250,000	-
	45,142,006	49,720,452
	$ 49,586,480	$ 54,558,719

In addition, the Dormitory Authority of the State of New York requires the College to maintain certain liquidity ratios.

Long-term debt consists of the following as of June 30:

	2011	2010
Dormitory Authority of the State of New York Revenue Bonds, Series 2007, maturing in 2046, with interest ranging from 4% to 5%. The bonds are general obligations of the College	$ 120,905,000	$ 122,480,000
Dormitory Authority of the State of New York Revenue Bonds, Series 2010, maturing in 2049, with interest of 5%. The bonds are general obligations of the College	50,000,000	50,000,000
	$ 170,905,000	$ 172,480,000

Principal maturities on the long-term debt are as follows as of June 30, 2011:

2012	$ 1,645,000
2013	1,730,000
2014	1,815,000
2015	1,905,000
2016	2,005,000
Thereafter	161,805,000
	$ 170,905,000

Interest expense for the years ended June 30, 2011 and 2010 was $8,098,646 and $6,092,202, respectively.

Management's estimate of the fair value of the College's long-term debt at June 30, 2011 and 2010 approximates $168,822,253 and $176,900,000, respectively.

Line of Credit
The College maintains a line of credit for $10,000,000 which was unused as of June 30, 2011 and 2010. As of June 30, 2011 and 2010, $949,000 in standby letters of credit was outstanding.

5. Employee Benefits – Pension Plan

Retirement benefits for substantially all full-time employees are provided under a defined contribution plan with Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments. The College makes monthly contributions to TIAA-CREF and Fidelity based on eligible employees' earnings and age. Contributions for the years ended June 30, 2011 and 2010 totalled approximately $6,568,000 and $7,090,000, respectively.

Retirement benefits for secretarial, clerical and technical employees were provided under a defined benefit plan until December 31, 1983. Since 1984, these employees have participated in the defined contribution plan through TIAA-CREF and Fidelity.

Retirement benefits for service, auxiliary and security employees are provided under a defined benefit plan. The College's contributions for the years ended June 30, 2011 and 2010 were $2,786,000 and $539,000, respectively. Based on the current funding level, the College anticipates making a contribution of at least $2,621,000 in 2012.

The following table sets forth information related to the College's defined benefit pension plan:

	2011	2010
Change in projected benefit obligation		
Benefit obligation at beginning of year	$ 28,870,551	$ 23,531,357
Service cost	840,359	672,357
Interest cost	1,494,389	1,418,515
Benefits paid	(1,294,491)	(1,230,423)
Actuarial (gain) loss	(786,807)	4,478,745
Benefit obligation at end of year	29,124,001	28,870,551
Change in plan assets		
Fair value of plan assets at beginning of year	17,003,279	15,022,039
Actual return on plan assets	4,145,433	2,672,663
Employer contributions	2,786,000	539,000
Benefits paid	(1,294,491)	(1,230,423)
Fair value of plan assets at end of year	22,640,221	17,003,279
Funded status at June 30-amount recognized in statement of financial position	$ (6,483,780)	$ (11,867,272)
Amounts recognized in unrestricted net assets		
Net prior service cost	$ 1,993,924	$ 2,297,755
Net actuarial loss	9,656,163	13,859,337

The estimated net prior service cost and net actuarial loss for the defined benefit pension plan that will be amortized into net periodic benefit costs over the next fiscal year are $303,824 and $484,466, respectively.

The accumulated benefit obligation for the defined benefit pension plan was $29,124,001 and $28,870,551 as of June 30, 2011 and 2010, respectively.

Components of net periodic benefit cost for the years ended June 30 are as follows:

	2011	2010
Service cost	$ 840,359	$ 672,357
Interest cost	1,494,389	1,418,515
Expected return on plan assets	(1,535,259)	(1,237,576)
Amortization of prior service cost	303,831	342,631
Recognized actuarial loss	806,193	660,105
Net periodic pension cost	$ 1,909,513	$ 1,856,032

Other changes in plan assets and benefit obligations recognized in unrestricted net assets for the years ended June 30 are as follows:

	2011	2010
Prior service cost arising during period	$ -	$ -
Net actuarial gain (loss)	3,396,980	(3,043,658)
Amortization of prior service cost	303,831	342,631
Amortization of actuarial loss	806,193	660,105
Total recognized in nonoperating activities	$ 4,507,004	$ (2,040,922)

The weighted average rates forming the basis of net periodic benefit cost and amounts recognized in the College's statements of financial position at June 30 are as follows:

	2011	2010
Year end benefit obligation		
Discount rate	5.40 %	5.30 %
Rate of compensation increase	4.00 %	4.00 %
Net periodic benefit cost		
Discount rate	5.30 %	6.20 %
Expected return on plan assets	8.50 %	8.50 %
Rate of compensation increase	4.00 %	4.00 %

The discount rate as of June 30, 2010 was used to estimate the benefit obligation as of that date, and the periodic benefit cost expense for 2011. The discount rate as of June 30, 2011 was used to estimate the benefit obligation as of that date, and will be used to estimate the annual expense for 2012.

The expected long-term rate of return assumption represents the expected average rate of return or earnings on funds invested or to be invested to provide for the benefits included in the benefit obligations. This assumption is based on a number of factors, including historical market index returns, the anticipated long-term asset allocation of the plan, historical plan return data, plan expenses and the potential to out-perform market index returns.

The estimated future benefit payments from the Plan are as follows:

June 30, 2012	$ 1,487,000
June 30, 2013	1,528,000
June 30, 2014	1,553,000
June 30, 2015	1,582,000
June 30, 2016	1,620,000
Succeeding 5 years	9,253,000

Defined Benefit Plan Investment Policy

The Committee on Investments of the Board of Trustees directs the investment of the Plan's assets. The Committee has established a formal investment policy for the Plan the goal of which is to generate a long-term real rate of return of 5.5% - 6.0% while sustaining moderate levels of risk. Target weightings for asset classes in the investment policy have been established based upon long-term expected real rates of return and correlation of returns as developed by the College's investment consultant and staff. These target weightings, bounded by allowable ranges, are expected to allow the Plan assets to meet its objectives over the long-term with respect to investment return, volatility, and liquidity.

Target and actual weightings for each asset class in the Plan are as follows:

Asset Mix	2011 Target	Actual June 30 2011	Actual June 30 2010
Equities	60 %	59 %	57 %
Fixed income	30	30	32
Real estate	10	10	9
Other	0	1	2
	100 %	100 %	100 %

The Plan's investments by asset class and fair value hierarchy, for the years ended June 30, 2011 and 2010 are as follows:

	2011			
	Level 1	Level 2	Level 3	Total
Common/collective trusts	$ -	$ 22,400,820	$ -	$ 22,400,820
Real estate, oil and gas partnerships	-	-	114,017	114,017
Venture capital/private placements	-	-	125,384	125,384
	$ -	$ 22,400,820	$ 239,401	$ 22,640,221

	2010			
	Level 1	Level 2	Level 3	Total
Common/collective trusts	$ -	$ 16,751,564	$ -	$ 16,751,564
Real estate, oil and gas partnerships	-	-	104,289	104,289
Venture capital/private placements	-	-	147,426	147,426
	$ -	$ 16,751,564	$ 251,715	$ 17,003,279

The following table summarizes the change in value of the Plan's investments within Level 3 as defined in the fair value hierarchy above. It also identifies as net transfers the capital added and withdrawn from Level 3 investments, which represents capital calls and distributions and portfolio rebalancing:

	Beginning	Net Purchases Sales, Settlements	Realized Gain	Unrealized Gain	Net Transfers	Ending
Real estate, oil and gas partnerships	$ 104,289	$ (4,610)	$ 934	$ 13,404	$ -	$ 114,017
Venture capital/Private placements	147,426	(50,874)	28,269	563	-	125,384
	$ 251,715	$ (55,484)	$ 29,203	$ 13,967	$ -	$ 239,401

The College uses the Net Asset Value (NAV) as determined by each general partner as the fair value of all Plan fund investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table provides additional disclosures related to these funds:

Category	Value	Commitments	Frequency	Period	Restrictions
Real assets					
Natural resources	$ 114,017	$ 27,600	Not redeemable	Not redeemable	Not redeemable
Venture capital/Private placements					
Venture capital	125,384	11,000	Not redeemable	Not redeemable	Not redeemable
	$ 239,401	$ 38,600			

6. Employee Benefits – Postretirement Health Insurance

The College provides postretirement medical benefits for certain retirees and employees. The cost of postretirement benefits is accrued as earned during an employee's service with the College.

During 2011 the College adopted a plan revision that establishes an annual account for each eligible retiree, which is to be used to cover qualified medical expenses as defined by the Internal Revenue Service. This change has resulted in a decrease to the College's benefit obligation.

The following table presents the postretirement medical plan's funded status and amounts recognized in the financial statements. The calculations were based upon data as of July 1, 2011 and 2010, the latest available actuarial valuation date.

	Postretirement Benefits	
	2011	**2010**
Change in benefit obligation		
Benefit obligation at beginning of year	$ 35,365,000	$ 28,002,000
Service cost	1,793,000	1,519,000
Interest cost	1,508,000	1,705,000
Plan participants' contributions	233,000	238,000
Plan amendments	(11,619,000)	-
Retiree drug subsidy receipts	100,000	105,000
Benefits paid	(1,358,000)	(1,602,000)
Actuarial (gain) loss	(679,000)	5,398,000
Benefit obligation at end of year	25,343,000	35,365,000
Change in plan assets		
Fair value of plan assets at beginning of year	-	-
Retiree drug subsidy receipts	100,000	105,000
Employer contributions	1,025,000	1,259,000
Plan participants' contributions	233,000	238,000
Benefits paid	(1,358,000)	(1,602,000)
Fair value of plan assets at end of year	-	-
Funded status at June 30 - amount recognized in statements of financial position	$ (25,343,000)	$ (35,365,000)
Amounts recognized in unrestricted net assets		
Net prior service credit	$ 12,695,000	$ 4,040,000
Net actuarial loss	(12,877,000)	(14,899,000)

The estimated net prior service credit and net actuarial loss for the postretirement plan that will be amortized into net periodic benefit costs over the next fiscal year are $2,962,000 and $1,309,000, respectively.

The College funds its postretirement medical benefits on a cash basis. The College's contributions in the next fiscal year are anticipated to be $900,000.

	2011	**2010**
Components of net periodic benefit cost		
Service cost	$ 1,793,000	$ 1,519,000
Interest cost	1,508,000	1,705,000
Amortization of prior service cost	(2,962,000)	(1,924,000)
Recognized actuarial loss	1,341,000	957,000
Total postretirement benefit cost	$ 1,680,000	$ 2,257,000

Other changes in plan assets and benefit obligations recognized in unrestricted net assets for the years ended June 30 are as follows:

	2011	2010
Net prior service credit	$ -	$ -
Net actuarial gain (loss)	679,000	(5,398,000)
Amortization of		
Prior service credit	(2,962,000)	(1,924,000)
Actuarial gain	1,341,000	957,000
Prior service credit arising from plan change	11,619,000	-
Total recognized in nonoperating activities	$ 10,677,000	$ (6,365,000)

The estimated future benefit payments are as follows:

	Gross	Medicare Subsidy	Net
June 30, 2012	$ 1,165,000	$ -	$ 1,165,000
June 30, 2013	1,151,000	-	1,151,000
June 30, 2014	1,161,000	-	1,161,000
June 30, 2015	1,199,000	-	1,199,000
June 30, 2016	1,280,000	-	1,280,000
Succeeding 5 years	8,349,000	-	8,349,000

Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement benefit plan. Assumed health care cost trends are 8.25% and 9.0% for the years ended June 30, 2011 and 2010, respectively, decreasing at a rate between .20% and .30% annually over the expected life of the plan.

A one-percentage-point change in the assumed health care cost trend rates would have the following effects at June 30:

	2011	2010
Effect of 1% increase in health care cost trend rate		
Change in aggregate of current service cost and interest cost	$ 645,000	$ 566,000
Change in accumulated postretirement benefit obligation	3,822,000	5,350,000
Effect of 1% decrease in health care cost trend rate		
Change in aggregate of current service cost and interest cost	(518,000)	(462,000)
Change in accumulated postretirement benefit obligation	(3,170,000)	(4,441,000)

The subsidy related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the “Act”) was recognized during 2010. The liability shown for the year ended June 30, 2010 reflects the employer subsidy for that year. The need to consider a future employer subsidy for prescription drugs has been eliminated as a result of the plan revision during 2011.

The weighted average rates forming the basis of net periodic benefit cost and amounts recognized in the College's statements of financial position were as follows:

	2011	**2010**
Year end benefit obligation		
Discount rate	5.40 %	5.30 %
Net periodic benefit cost		
Discount rate	5.30 %	6.30 %

7. Endowment

The College endowment consists of approximately 900 individual donor-restricted endowment funds and 100 board-designated endowment funds for a variety of purposes. Pledges receivable and split interest agreements that have been designated for endowment are not considered to be part of the endowment until the funds are received. The net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The New York Prudent Management of Institutional Funds Act (NYPMIFA) became effective on September 17, 2010 and governs the management and investment of funds held by not-for-profit corporations and other institutions. Absent donor stipulations to the contrary, the statutory guidelines contained in NYPMIFA relate to the prudent management, investment and expenditure of donor-restricted endowment funds without regard to the original value of the gifts. NYPMIFA contains specific factors that must be considered prior to making investment decisions or appropriating funds for expenditure. For accounting purposes, the College applied the concepts included in NYPMIFA and ASC 958, Not-for-Profit Entities (formerly FASB Staff Position No. 117-1) regarding classification of accumulated total return as temporarily restricted net assets as of June 30, 2010 for the year ended June 30, 2011. Accordingly, accumulated total return of $286,569,774 as of June 30, 2010 was reclassified to temporarily restricted net assets from unrestricted net assets, as a cumulative effect of change in accounting principle.

The Board of Trustees has interpreted its fiduciary responsibilities for donor-restricted endowment funds under NYPMIFA to include the preservation of intergenerational equity to the extent possible by prudently managing, investing and spending from the endowment funds. As a result of this interpretation, the College classifies as permanently restricted net assets the unappropriated portion of (a) the original value of gifts donated to a true endowment fund, (b) the original value of subsequent gifts to a true endowment fund, and (c) accumulations to a true endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Unspent appropriations related to donor-restricted endowment funds are classified as temporarily restricted net assets until the amounts are expended by the College in a manner consistent with the donor's intent. The remaining portion of the endowment fund that is not classified in permanently restricted or temporarily restricted net assets is classified as unrestricted net assets for expenditures that do not carry donor restrictions.

The College considers the following factors in making a determination to appropriate or accumulate endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the College and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the College

(7) The investment policies of the College.

The College's endowment net asset composition by type of fund as of June 30 is:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
Donor-restricted endowment funds	$ -	$ 411,379,205	$ 249,234,666	$ 660,613,871	$ 554,354,109
Funds functioning as endowment	153,516,187	-	-	153,516,187	145,138,361
Adjustment for underwater funds	(367,554)	367,554	-	-	-
Total endowment funds	$ 153,148,633	$ 411,746,759	$ 249,234,666	$ 814,130,058	$ 699,492,470

The College's changes in endowment net assets for the year ended June 30 are:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
Net endowment assets at June 30, 2010	$ 425,110,565	$ 39,513,480	$ 234,868,425	$ 699,492,470	$ 658,238,992
Cumulative effect of a change in accounting principle	(286,569,774)	286,569,774	-	-	-
Gifts and transfers					
Gifts received	275,656	-	12,359,103	12,634,759	9,511,465
Transfers and gifts further designated	68,010	-	1,872,380	1,940,390	886,449
Investment return					
Net gains (losses)	24,853,053	114,417,726	-	139,270,779	72,594,309
Amounts appropriated for spending	(13,575,704)	(25,822,990)	-	(39,398,694)	(41,859,580)
Income reinvested	55,596	-	134,758	190,354	120,835
Underwater endowment					
Current year appropriation of funds to cover permanent endowments where fair value is less than historic dollar value	2,931,231	(2,931,231)	-	-	-
Net endowment assets at June 30, 2011	$ 153,148,633	$ 411,746,759	$ 249,234,666	$ 814,130,058	$ 699,492,470

Endowment Funds With Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts. When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were $367,554 and $3,298,785 as of June 30, 2011 and 2010, respectively. These deficits resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments, and authorized appropriation that was deemed prudent.

8. Commitments and Contingencies

Operating Leases

At June 30, 2010, minimum annual commitments under operating leases for office equipment and buildings are as follows:

June 30, 2012	$ 154,000
June 30, 2013	148,000
June 30, 2014	153,000
June 30, 2015	162,000
June 30, 2016	172,000
Years thereafter	29,083,000
	$ 29,872,000

Litigation

In the normal course of business, the College has been named a defendant in various claims. Although there can be no assurance as to the eventual outcome of litigation in which the College has been named, in the opinion of management, such litigation will not, individually or in the aggregate, have a material adverse effect on the College’s financial position, statements of activities, or cash flows.

9. Subsequent Events

The College has performed an evaluation of subsequent events through October 21, 2011, the date on which the financial statements were issued.